UNITED STATES DEPARTMENT OF AGRICULTURE

Agricultural Stabilization and Conservation Service

THE 1964 UPLAND COTTON PROGRAM

A general explanation prepared especially for Agricultural Stabilization and Conservation Committeemen.

The new cotton program for 1964 authorized by a law recently passed by Congress and approved by the President provides additions to the existing program of acreage allotments, marketing quotas and price supports.

The new law is aimed at:

1. Maintaining the income of cotton producers at a reasonable level.
2. Encouraging increased consumption of U. S. cotton.
3. Reducing the Government cost of cotton programs, including price support and storage.
4. Providing a special research program designed to lower the cost of production.

The Overall Cotton Problem

The primary problems in cotton center around a decrease in the use of U. S. lint by domestic manufacturers, and increase in the use of manmade fibers.

In 1953, cotton constituted 68.8 percent of all fibers used by U. S. mills; the per capita use was 27.9 pounds. Ten years later—1963—the percentage of cotton had dropped to 55.6 percent, and per capita use was down to 21.4 pounds.

Manmade fibers (rayon, nylon, Orlon, Dacron, glass fibers, etc.) in 1953 accounted for only 23.4 percent of all fibers used, and 9.6 pounds per capita. By 1963, this percentage had increased to 38.5 percent and per capita use to 14.8 pounds annually.

The importation of cotton goods in 1953 was the equivalent of 92,800 bales; by 1962 the total was the equivalent of 645,500 bales. Exports of cotton goods had dropped from the equivalent of 606,700 bales in 1953 to the equivalent of only 459,000 bales in 1962.

American cotton manufacturers buy their supplies of upland cotton in the market where the price to farmers is supported at approximately 32.5 cents per pound, while the export price for the same cotton has been about 24 cents per pound.

This problem is also reflected in spiraling carryover stocks of upland cotton. The Commodity Credit Corporation inventory without new legislation, would be up about 50 percent by 1966. Actual and estimated carryover data:

August 1, 1963, 11 million bales

August 1, 1964, 12.6 million bales (estimated)

August 1, 1965, 13.3 million bales (estimated, without the new legislation)

August 1, 1966, 14.4 million bales (estimated, without the new legislation)

The Program In Brief

Briefly, the law provides:

1. A 2-year cotton program applicable to the 1964 and 1965 crops of upland cotton.
2. A basic price support for the 1964 crop of 30 cents a pound for Middling 1-inch cotton at average location, and for the 1965 crops at such level between 65 and 90 percent of parity as the Secretary determines, after taking into consideration certain specified factors—including changes in the cost of production.
3. Additional price support, above the basic level of support, for producers who participate by producing within their domestic allotments.
4. A national domestic allotment estimated as the acreage necessary (based on the 1959-1962 national average yield) to produce the amount

of cotton required for domestic consumption during the marketing year for such crop. For 1964, this percentage is 67 percent. Except for small farms, the 1964 domestic allotment for most farms is 67 percent of the effective farm allotment.

5. A minimum 1964 farm domestic allotment for each farm, equal to the smaller of the effective farm acreage allotment, or 15 acres.
6. An export market acreage of cotton, if authorized by the Secretary, under certain conditions and within certain limits.
7. A minimum price on Commodity Credit Corporation sales for cotton for unrestricted use, effective August 1, 1964, at 105 percent of the basic loan rate, plus reasonable carrying charges.
8. Payments in kind to persons other than producers in amounts which will eliminate inequities due to differences in the cost of raw cotton.
9. Authority for the transfer of acreage from farms affected by natural disasters, such as flood, where the allotments cannot be planted. The new legislation makes this authority permanent.

Acreage Allotments and Marketing Quotas

Upland cotton growers voting in a referendum in December 1963 approved marketing quotas for the 1964 crop of cotton. The new law makes no changes in the farm cotton acreage allotments already determined for 1964 but does provide that they be used in determining a domestic allotment for each farm. The farm allotments were determined from a national acreage allotment of 16 million acres.

Marketing quota penalties on excess cotton are still in effect and they will be figured as in previous years. The marketing quota penalty for excess 1964-crop upland cotton will be 50 percent of the parity price as of June 15, 1964.

Release and Reapportionment

The provisions for release of farm cotton allotments by producers and the reapportionment of the released acreage by the ASC county committee are unchanged. Under these provisions a grower may release part or all of his cotton allotment to the ASC county committee for 1 year without losing his cotton acreage history for the determination of his future farm allotments. As in the past, a producer who releases his entire allotment 3 years in succession loses his allotment. If 75 percent of the farm allotment is not planted or released the base for determination of the allotment for the following year is reduced. The part not released is called his effective farm allotment.

When released cotton acreage is reapportioned to other farms, it is added to that farm's regular cotton allotment and the total becomes the farm's effective allotment for that year. No history credit is gained from the reapportioned acreage in determining future farm allotments.

The release and reapportionment must be done by deadline dates established and announced by each ASC State committee.

The effective allotment for 1964 for farms on which cotton allotment acreage is not released and on which there is no reapportioned acreage is the regular allotment included in the notice from the ASC county office sent to farm operators in the fall of 1963.

New 1964 Program Provisions

The domestic allotment.

The new program provides that a domestic allotment be determined for each upland cotton farm for 1964. The domestic allotment for a farm represents that farm's portion of the national domestic allotment.

The national domestic allotment is the acreage of cotton which, at normal yields could be expected to produce the amount of cotton needed for domestic use in the United States. This acreage is then converted into a percentage of the national allotment. The domestic allotment percentage for 1964 has been determined to be 67 percent, which percentage is used in determining the farm domestic allotment. There are special provisions for farms with small allotments, and for farms which planted cotton acreage in 1962 and 1963 smaller than their allotments.

The law provides that the domestic allotment cannot be less than the *smaller* of (a) 15 acres or (b) the effective farm allotment. Therefore, a farm with an effective farm allotment of 12 acres would also have a domestic allotment of 12 acres. Farms with an effective allotment of 15.1 acres through 22.4 acres would have a domestic allotment of 15 acres.

Farm normal yields.

Normal yields per acre will be determined for each upland cotton farm. This will be used in computing the additional price-support payments to those pro-

ducers who grow an acreage of cotton within their farm domestic allotments.

In establishing farm normal yields, the ASC county committee will first determine a yield index for each farm in terms of the county normal yield—a farm index of 100 will represent a farm yield equal to the county normal yield.

The indexes will be in multiples of 5—80, 85, 90, 95, or 105, etc. The farm index multiplied by the county normal yield will be the farm normal yield. For example: If a farm index is 80 in a county with a county normal yield of 500 pounds to the acre, the farm normal yield would be 80 percent of 500 pounds, or 400 pounds per acre.

The price-support payment.

The price-support rate for staying within the farm's effective allotment is 30 cents per pound for 1964. This is obtainable through regular CCC price-support loans.

ASC county offices will compute the additional price-support payment rate per acre for each farm for which a domestic allotment is determined.

The additional price support payment rate per pound for 1964 has been set at 3.5 cents. The per pound rate multiplied by the normal yield per acre will give the additional price support payment per acre. For example: For a farm with a normal yield of 400 pounds per acre the calculation would be 3.5 cents $\times$ 400 lbs. $=$ \$14 price-support payment per acre.

The normal production of the number of acres of cotton planted for harvest on the farm in 1964, is the number of pounds of upland cotton on the farm on which the added price-support payment would be made. This payment will be made only to those producers on farms on which (1) the acreage of cotton is within the farm's domestic allotment and (2) the feed grain base (on farms with an effective cotton allotment of more than 15 acres) is not exceeded.

Payment will be made by CCC sight draft or payment-in-kind certificate—at the election of the producer—and issued by the county ASC committee.

Notice of domestic allotment, price-support payment rate and normal yield.

Each producer will receive from his ASC county office a notice containing three items:

1. His domestic allotment.
2. His additional price-support payment rate per acre.
3. The normal yield of upland cotton for his farm.

All three items are subject to appeal upon proper application by the producer within 15 days after the mailing of the notice by the ASC county office.

No signup needed.

When an upland cotton grower decides which allotment he will use—the effective farm allotment or the domestic allotment—he plants on the basis of that allotment. When his acreage is determined he will have a period during which he can adjust his acreage if it does not agree with his chosen allotment. After the planted acreage is verified the eligible producer will then file an application for the price-support payment.

Export acreage.

The new law authorizes the Secretary of Agriculture to permit upland cotton producers to plant a limited acreage of cotton for export in addition to the effective farm allotments. For 1964, the export acreage has been set at 5 percent of the effective farm allotment.

Growers who want to grow export acreage will do the following:

1. Apply at the ASC county office for the export acreage not later than June 1, 1964.
2. Provide a bond within 15 days guaranteeing that the amount of cotton represented by the 1964 farm average yield times the farm export acreage will be exported without the aid of any Federal programs. The export bond of the producer will be released by the ASC county committee upon presentation of evidence by the grower that the cotton has been exported.

Cotton growers planting export acreage are not eligible for the additional price-support payment of $3\frac{1}{2}$¢ per pound. Also, the export cotton is not eligible for a price-support loan. However, the amount of cotton represented by the 1964 farm average yield multiplied by the number of acres in the effective farm allotment is eligible for the regular price support loan.

Export acreage farms on which the acreage of cotton exceeds the effective farm allotment plus the maximum export acreage will be subject to a marketing quota penalty on all the production credited to the 1964 acreage above the effective farm allotment.

(This explanation is provided to help in the general understanding of the 1964 cotton program. It does not replace official instructions and regulations applicable to individual farm situations.)